

POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND RESPONSES

June 30, 2014

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POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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Board of Education

(Before September 2013 Election)

Raymond Seehusen	President	2013
Jason Gerdes	Vice President	2015
John Behrendsen	Board Member	2013
Darwin Eaton	Board Member	2015
Rachel Dixon	Board Member	2013
Dan Duitscher	Board Member	2015
Greg Fritz	Board Member	2015

(After September 2013 Election)

Greg Fritz	President	2015
Jason Gerdes	Vice President	2015
John Behrendsen	Board Member	2017
Darwin Eaton	Board Member	2015
Richard Garner	Board Member	2017
Dan Duitscher	Board Member	2015
James Von Dolter	Board Member	2017

School Officials

Joseph Kramer	Superintendent
Diane Pattee	District Secretary/Treasurer

Gary E. Horton CPA

902 Central Ave. E.-PO Box 384
Clarion, IA 50525-0384
(515)532-6681 Phone
(515) 532-2405 Fax
BETCO@mchsi.com E-mail

Independent Auditor's Report

To the Board of Education of
Pocahontas Area Community School District:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Pocahontas Area Community School District, Pocahontas, Iowa, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above presents fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Pocahontas Area Community School District as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 13 and 40 through 42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U. S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Pocahontas Area Community School District's basic financial statements. We previously audited, in accordance with the standards referred in the third paragraph of this report, the financial statements of the Pocahontas Area Community school for the two years ended June 30, 2013 (which is not presented herein) and expressed unmodified opinions on those financial statements. The financial statements for the eight years ended June 30, 2011 (which are not presented herein) were audited by other auditors who expressed unmodified opinions on those financial statements. We also previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements of the Pomeroy-Palmer Community School District for the nine years ended June 30, 2012 (which are not presented herein) and we expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 7, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 27, 2015 on our consideration of Pocahontas Area Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Pocahontas Area Community School District's internal control over financial reporting and compliance.

BURTON E. TRACY & CO., P.C.
Certified Public Accountants

March 27, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

Pocahontas Area Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2014. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2014 FINANCIAL HIGHLIGHT

- General Fund revenues decreased from \$8,411,269 in fiscal year 2013 to \$7,660,631 in fiscal year 2014, while General Fund expenditures increased from \$8,107,261 in fiscal year 2013 to \$8,297,502 in fiscal year 2014. The District's General Fund balance decreased from \$3,059,299 at the end of fiscal year 2013 to \$2,412,061 at the end of fiscal year 2014, a 21% decrease.
- The fiscal year 2014 General Fund revenue decrease was attributable to increase in property tax and federal grant revenue. The increase in expenditures was due primarily to an increase in negotiated salaries and benefits and restricted grant expenditures. One reason the General Fund balance decreased is because the negotiated salaries and benefits were greater than the District's increase in General Fund revenue for fiscal year 2014.

USING THE ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Pocahontas Area Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Pocahontas Area Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Pocahontas Area Community School District acts solely as an agent or custodian for the benefit of those outside of District.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Supplementary Information provides detailed information about the nonmajor governmental funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
Pocahontas Area Community School District Annual Financial Report

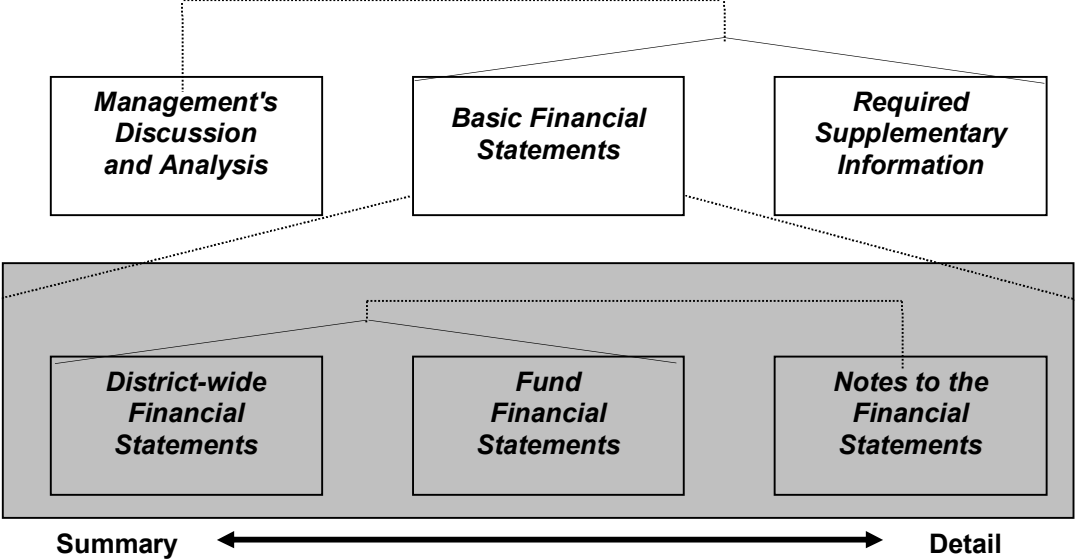


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and day care	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of position 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses and changes in fund net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net position and how it has changed. Net position is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position is an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- **Governmental activities:** Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- **Business type activities:** The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or major funds, not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) **Governmental funds:** Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) **Proprietary funds:** Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has two Enterprise Funds, the School Nutrition Fund and Discovery Daycare.

The required financial statements for proprietary funds include a statement of net position, a statement of revenues, expenses and changes in fund net position and a statement of cash flows.

- 3) **Fiduciary funds:** The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust Fund and Agency Funds.

- **Private-Purpose Trust Fund** . The District accounts for outside donations for scholarships for individual students in this fund.
- **Agency Funds** . These are funds through which the District administers and accounts for certain federal and/or state grants as a fiscal agent.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net position and a statement of changes in fiduciary net position.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net position at June 30, 2014 compared to June 30, 2013.

Figure A-3

Figure 1.5

	Condensed Statement of Net Position						
	Governmental Activities		Business-type Activities		Total School District		Percentage Change
	2014	2013	2014	2013	2014	2013	2013-2014
	\$	\$	\$	\$	\$	\$	
Current and other assets	13,395,848	12,911,659	153,201	86,273	13,549,049	12,997,932	4.24%
Capital assets	13,799,657	13,956,304	4,239	3,619	13,803,896	13,959,923	-1.12%
Total assets	27,195,505	26,867,963	157,440	89,892	27,352,945	26,957,855	1.47%
Long-term liabilities	9,303,466	9,668,676	9,215	6,238	9,312,681	9,674,914	-3.74%
Other liabilities	375,788	488,270	32,751	24,332	408,539	512,602	-20.30%
Total liabilities	9,679,254	10,156,946	41,966	30,570	9,721,220	10,187,516	-4.58 %
Deferred Inflows of Resources	5,477,222	5,241,511	6,608	5,335	5,483,830	5,246,846	4.52%
Net Position:							
Net Investment in capital assets	4,812,415	4,565,519	4,239	3,619	4,816,654	4,569,138	5.42%
Restricted	5,033,987	4,037,041	-	-	5,033,987	4,037,041	24.69%
Unrestricted	2,192,627	2,866,946	104,627	50,368	2,297,254	2,917,314	-21.25%
TOTAL NET POSITION	12,039,029	11,469,506	108,866	53,987	12,147,895	11,523,493	5.42%

The District's total net position increased 5.42%, or \$624,402, from the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, infrastructure, intangibles, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net position represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased \$996,946, or 24.69% over the prior year. The increase was primarily a result of decreased expenditures in the Capital Projects Fund and an increase in net position restricted for the required bond reserve.

Unrestricted net position . the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements . decreased \$620,060 or 21.25%. This reduction in unrestricted net position was primarily a result of the District's net OPEB liability recorded in the current year.

Figure A-4 shows the change in net position for the year ended June 30, 2014 compared to the year ended June 30, 2013.

Figure A-4

	Change in Net Position						Percentage Change 2013-2014
	Governmental Activities		Business-type Activities		Total School District		
	2014 \$	2013 \$	2014 \$	2013 \$	2014 \$	2013 \$	
Revenues							
Program Revenues:							
Charges for services	870,467	977,755	415,642	506,613	1,286,109	1,484,368	-13.36%
Operating grants, contributions and restricted interest	1,231,941	1,212,800	275,343	248,834	1,507,284	1,461,634	3.12%
Capital grants, contributions and restricted interest	-	-	-	-	-	-	-
General Revenues:							
Property taxes	5,250,277	5,221,872	-	-	5,250,277	5,221,872	0.54%
Income Surtax	58,141	82,000	-	-	58,141	82,000	-29.10%
Statewide sales, service & use tax	619,070	678,603	-	-	619,070	678,603	-8.77%
Unrestricted state grants	2,291,795	2,587,005	-	-	2,291,795	2,587,005	-11.41%
Unrestricted investment earnings	14,138	20,608	64	32	14,202	20,640	-31.19%
Other	6,636	11,541	-	-	6,636	11,541	-42.50%
Total Revenues	10,342,465	10,792,184	691,049	755,479	11,033,514	11,547,663	-4.45%
Expenses:							
Instruction	5,494,849	5,962,173	-	-	5,494,849	5,962,173	-7.84%
Support services	3,139,767	2,437,953	-	-	3,139,767	2,437,953	28.79%
Non-instructional programs	-	-	636,170	792,851	636,170	792,851	-19.76%
Other expenditures	1,138,326	1,110,415	-	-	1,138,326	1,110,415	2.51%
Total expenses	9,772,942	9,510,541	636,170	792,851	10,409,112	10,303,392	1.03%
CHANGE IN NET POSITION	569,523	1,281,643	54,879	(37,372)	624,402	1,244,271	-49.82%
Net position beginning of year	11,469,506	10,187,863	53,987	91,359	11,523,493	10,279,222	12.10%
Net position end of year	12,039,029	11,469,506	108,866	53,987	12,147,895	11,523,493	5.42%

In fiscal year 2014 property tax and unrestricted state grants account for 68% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 83% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$10,342,465 and expenses were \$9,772,942. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2014 compared to the year ended June 30, 2013.

Figure A-5**Total and Net Cost of Governmental Activities**

	Total Cost of Services 2014	Total Cost of Services 2013	Net Cost of Services 2014	Net Cost of Services 2013
	\$	\$	\$	\$
Instruction	5,494,849	5,962,173	3,768,590	4,136,069
Support Services	3,139,767	2,437,953	3,089,127	2,386,757
Other Expenses	1,138,326	1,110,415	812,817	797,160
TOTAL	<u>9,772,942</u>	<u>9,510,541</u>	<u>7,670,534</u>	<u>7,319,986</u>

For the year ended June 30, 2014

- The cost financed by users of the District's programs was \$870,467. Most of these revenues are derived from tuition charged to other school districts and from student activities.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,231,941.
- The net cost of governmental activities was financed with \$5,927,488 in property and local other taxes and \$2,291,795 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$691,049 and expenses were \$636,170. The District's business type activities include the School Nutrition Fund and the Day Care Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

The Discovery Daycare Center was established in 2008 as part of a 28E agreement with the city of Pocahontas and the Pocahontas Community Hospital. There is no financial responsibility on the part of the school.

INDIVIDUAL FUND ANALYSIS

As previously noted, Pocahontas Area Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$7,458,253, above last year's ending fund balance of \$7,067,935. However, the primary reason for the increase in combined fund balances at the end of fiscal year 2014 is due to increases in PPEL and SAVE funds in anticipation of an elementary remodel project.

Governmental Fund Highlights

- The District's decreasing General Fund financial position is the result of many factors. Losses during the year are partially due to reductions of charges for services, lower tax revenues and increases in support services.
- The General Fund balance decreased from \$3,059,299 to \$2,412,061, due in part to reduced revenues and increased expenditures.

- The Capital Projects Fund balance increased as a result of the District's anticipation of the elementary remodel project. The District ended fiscal 2013 with a balance of \$2,897,453 and fiscal year 2014 ended with a balance of \$3,536,324, which will be used for the projected elementary remodel project.

• Proprietary Fund Highlights

School Nutrition Fund net position increased from \$42,919 at June 30, 2013 to \$89,657 at June 30, 2014, representing an increase of 109%. Increases in meal rates, meal participation, and partial staff reductions contributed to an increased balance.

The Day Care Fund balance decreased from \$22,068 at June 30, 2013 to \$19,209 at June 30, 2014. This increase resulted primarily from increases in staff wages and benefits without any increases in tuition combined with a decline in the number of children being served.

BUDGETARY HIGHLIGHTS

The District's receipts were \$1,714,364 less than budgeted receipts, a variance of 13%. The most significant variance resulted from the District receiving less in state aid than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, the District had invested \$13.8 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net decrease of 1.18% from last year. More detailed information about the District's capital assets is presented in Note 3 to the financial statements. Depreciation expense for the year was \$624,979.

Figure A-6

Capital Assets (net of depreciation)

	Governmental Activities		Business type Activities		Total School District		Percentage Change 2013-2014
	2014	2013	2014	2013	2014	2013	
	\$	\$	\$	\$	\$	\$	%
Land	172,157	172,157	-	-	172,157	172,157	0%
Buildings	12,555,351	12,611,314	-	-	12,555,351	12,611,314	-0.44%
Improvements	491,001	510,459	-	-	491,001	510,459	-3.81%
Equipment & furniture	581,148	662,374	4,239	12,245	585,387	674,619	-13.23%
TOTAL	13,799,657	13,956,304	4,239	12,245	13,803,896	13,968,549	-1.18%

Long-Term Debt

The voters of the District approved a \$10.89 Million bond issue in December, 2008 for the construction of a major addition to the existing middle school/high school. This will be paid off over the next twenty years beginning in June of 2010. The Board has approved an additional surplus tax levy to pay down principal ahead of schedule, reducing interest payments.

At June 30, 2014 the District had \$9,312,681 in general obligation, revenue and other long-term debt outstanding. This represents a decrease of 4% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 4 to the financial statements.

The District continues to carry a bond rating of (A3) assigned by national rating agencies to the District's debt since 2009.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Percentage Change
	2014	2013	2013-2014
Governmental activities:	\$	\$	%
General obligation bonds	9,030,000	9,435,000	-4.29%
Termination benefits	77,465	94,983	-18.44%
Net OPEB liability	196,001	138,693	41.32%
	<u>9,303,466</u>	<u>9,668,676</u>	<u>-3.78%</u>
Business type activities:			
Net OPEB liability	<u>9,215</u>	<u>6,238</u>	<u>47.72%</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The District has evaluated the condition of its transportation vehicles and determined, due to safety precautions, two buses must be replaced during fiscal 2015 at a cost of \$180,000. To pay for these buses, the District will use a combination of resources from the Physical Plant and Equipment Levy Fund or General Fund.
- Settlements in excess of new money+or allowable growth in state funding will have an adverse effect on the District's General Fund budget and related fund balance.
- Increased busing due to athletic sharing will negatively impact fund balances for fiscal year 2015.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Diane Pattee, District Secretary/Treasurer and Business Manager Pocahontas Area Community School District, 202 1st Ave. SW, Pocahontas, IA 50574.

BASIC FINANCIAL STATEMENTS

POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

Statement of Net Position

June 30, 2014

	Governmental Activities \$	Business Type Activities \$	Total \$
Assets			
Cash, cash equivalents and pooled investments:			
Other	7,324,153	114,233	7,438,386
Receivables:			
Property tax:			
Delinquent	34,770	-	34,770
Succeeding year	5,477,222	-	5,477,222
Income surtax-succeeding year	44,110	-	44,110
Other	12,339	11,394	23,733
Due from other governments	503,254	19,134	522,388
Inventories	-	8,440	8,440
Capital assets, net of accumulated depreciation	13,799,657	4,239	13,803,896
Total assets	27,195,505	157,440	27,352,945
Liabilities			
Accounts payable	274,556	22,457	297,013
Salaries and benefits payable	38,360	10,294	48,654
Accrued interest payable	62,872	-	62,872
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	425,000	-	425,000
Termination benefits	62,774	-	62,774
Portion due after one year:			
General obligation bonds payable	8,605,000	-	8,605,000
Termination benefits	14,691	-	14,691
Net OPEB liability	196,001	9,215	205,216
Total liabilities	9,679,254	41,966	9,721,220
Deferred Inflows of Resources:			
Unavailable property tax revenue	5,477,222	-	5,477,222
Other	-	6,608	6,608
	5,477,222	6,608	5,483,830

POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

Statement of Net Position

June 30, 2014

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Net position			
Net investment in capital assets	4,812,415	4,239	4,816,654
Restricted for:			
Categorical funding	67,543	-	67,543
Employee benefits	103,347	-	103,347
Management levy	958,758	-	958,758
Student activities	157,948	-	157,948
Physical plant and equipment levy purposes	701,513	-	701,513
School infrastructure	2,792,053	-	2,792,053
Debt service	252,825	-	252,825
Unrestricted	2,192,627	104,627	2,297,254
Total net position	<u>12,039,029</u>	<u>108,866</u>	<u>12,147,895</u>

POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2014

Functions/Programs	Expenses	Program Revenues		
		Charges for	Operating	Capital Grants,
		Services	Grants,	Contributions and
			Contributions	Restricted Interest
			and Restricted	Restricted Interest
			Interest	
	\$	\$	\$	\$
Governmental activities:				
Instruction:				
Regular	3,220,970	466,874	607,204	-
Special	864,128	82,803	35,506	-
Other	1,409,751	316,863	217,009	-
	<u>5,494,849</u>	<u>866,540</u>	<u>859,719</u>	<u>-</u>
Support services:				
Student	203,684	-	-	-
Instructional staff	448,659	-	-	-
Administration	731,458	-	-	-
Operation and maintenance of plant	1,041,407	3,927	-	-
Transportation	714,559	-	46,713	-
	<u>3,139,767</u>	<u>3,927</u>	<u>46,713</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	55,133	-	-	-
Long-term debt interest	392,238	-	-	-
AEA flowthrough	325,509	-	325,509	-
Depreciation (unallocated)*	365,446	-	-	-
	<u>1,138,326</u>	<u>-</u>	<u>325,509</u>	<u>-</u>
Total governmental activities	<u>9,772,942</u>	<u>870,467</u>	<u>1,231,941</u>	<u>-</u>
Business type activities:				
Non-instructional programs:				
Food service operations	446,604	226,456	266,869	-
Daycare	189,566	189,186	8,474	-
Total business-type activities	<u>636,170</u>	<u>415,642</u>	<u>275,343</u>	<u>-</u>
Total	<u>10,409,112</u>	<u>1,286,109</u>	<u>1,507,284</u>	<u>-</u>
General Revenues:				
Property taxes levied for:				
General purposes				
Debt service				
Capital outlay				
Income surtax				
Statewide sales, services and use tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				

Change in net position

Net position beginning of year

Net position end of year

*This amount excludes the depreciation that is included in the direct expenses of the various programs.

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Position

Governmental Activities	Business Type Activities	Total
\$	\$	\$
(2,146,892)	-	(2,146,892)
(745,819)	-	(745,819)
(875,879)	-	(875,879)
(3,768,590)	-	(3,768,590)
(203,684)	-	(203,684)
(448,659)	-	(448,659)
(731,458)	-	(731,458)
(1,037,480)	-	(1,037,480)
(667,846)	-	(667,846)
(3,089,127)	-	(3,089,127)
(55,133)	-	(55,133)
(392,238)	-	(392,238)
-	-	-
(365,446)	-	(365,446)
(812,817)	-	(812,817)
(7,670,534)	-	(7,670,534)
-	46,721	46,721
-	8,094	8,094
-	54,815	54,815
(7,670,534)	54,815	(7,615,719)
3,817,314	-	3,817,314
975,070	-	975,070
457,893	-	457,893
58,141	-	58,141
619,070	-	619,070
2,291,795	-	2,291,795
14,138	64	14,202
6,636	-	6,636
8,240,057	64	8,240,121
569,523	54,879	624,402
11,469,506	53,987	11,523,493
12,039,029	108,866	12,147,895

POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2014

	General	Capital Projects	Debt Service	Nonmajor	Total
	\$	\$	\$	\$	\$
Assets					
Cash, cash equivalents and pooled investments	2,683,639	3,045,649	308,506	1,210,403	7,248,197
Receivables:					
Property tax:					
Delinquent	22,690	2,950	7,191	1,939	34,770
Succeeding year	3,768,551	480,930	1,077,739	150,002	5,477,222
Income surtax-succeeding year	44,110	-	-	-	44,110
Accounts	-	-	-	12,339	12,339
Interfund receivable	-	420,729	-	-	420,729
Due from other governments	151,797	216,810	-	-	368,607
Other	134,647	-	-	-	134,647
Total assets	6,805,434	4,167,068	1,393,436	1,374,683	13,740,621
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Accounts payable	121,623	149,814	-	3,119	274,556
Salaries and benefits payable	38,360	-	-	-	38,360
Interfund payable	420,729	-	-	27,391	448,120
Total liabilities	580,712	149,814	-	30,510	761,036
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	3,768,551	480,930	1,077,739	150,002	5,477,222
Income surtax	44,110	-	-	-	44,110
Total deferred inflows of resources	3,812,661	480,930	1,077,739	150,002	5,521,332
Fund balances:					
Restricted for:					
Categorical funding	67,543	-	-	-	67,543
Debt service	-	-	315,697	-	315,697
Management levy	-	-	-	1,036,223	1,036,223
Student activities	-	-	-	157,948	157,948
School infrastructure	-	2,834,811	-	-	2,834,811
Physical plant and equipment	-	701,513	-	-	701,513
Unassigned	2,344,518	-	-	-	2,344,518
Total fund balances	2,412,061	3,536,324	315,697	1,194,171	7,458,253
Total liabilities, deferred inflows of resources and fund balances	6,805,434	4,167,068	1,393,436	1,374,683	13,740,621

POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Position

June 30, 2014

\$

Total fund balances of governmental funds (Exhibit C)	7,458,253
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*Amounts reported for governmental activities in the
Statement of Net Position are different because:*

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	13,799,657
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Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	44,110
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Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported as a liability in the governmental funds.	(62,872)
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An internal service fund is used by the District's management to charge the costs of the self-funded health insurance program to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities.	103,347
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Long-term liabilities, including bonds payable, termination benefits, and other post employment benefits payable, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	(9,303,466)
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Net position of governmental activities (Exhibit A)	<u><u>12,039,029</u></u>
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POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year ended June 30, 2014

	General	Capital Projects	Debt Service	Nonmajor	Total
	\$	\$	\$	\$	\$
Revenues:					
Local sources:					
Local tax	3,567,505	457,893	975,070	304,018	5,304,486
Tuition	398,181	-	-	-	398,181
Other	172,013	14,371	31	306,645	493,060
State sources	3,301,241	619,265	481	128	3,921,115
Federal sources	221,691	-	-	-	221,691
Total revenues	<u>7,660,631</u>	<u>1,091,529</u>	<u>975,582</u>	<u>610,791</u>	<u>10,338,533</u>
Expenditures:					
Current:					
Instruction:					
Regular	3,039,061	-	-	65,406	3,104,467
Special	858,501	-	-	-	858,501
Other	1,114,429	-	-	295,322	1,409,751
	<u>5,011,991</u>	<u>-</u>	<u>-</u>	<u>360,728</u>	<u>5,372,719</u>
Support services:					
Student	200,475	-	-	-	200,475
Instructional staff	447,170	-	-	-	447,170
Administration	701,179	7,500	-	-	708,679
Operation and maintenance of plant	885,404	-	-	137,388	1,022,792
Transportation	725,774	-	-	-	725,774
	<u>2,960,002</u>	<u>7,500</u>	<u>-</u>	<u>137,388</u>	<u>3,104,890</u>
Other expenditures:					
Facilities acquisition	-	345,158	-	-	345,158
Long-term debt:					
Principal	-	-	405,000	-	405,000
Interest and fiscal charges	-	-	394,939	-	394,939
AEA flowthrough	325,509	-	-	-	325,509
	<u>325,509</u>	<u>345,158</u>	<u>799,939</u>	<u>-</u>	<u>1,470,606</u>
Total expenditures	<u>8,297,502</u>	<u>352,658</u>	<u>799,939</u>	<u>498,116</u>	<u>9,948,215</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(636,871)</u>	<u>738,871</u>	<u>175,643</u>	<u>112,675</u>	<u>390,318</u>
Other financing sources (uses):					
Operating transfers in	-	-	100,000	10,367	110,367
Operating transfers out	(10,367)	(100,000)	-	-	(110,367)
Total other financing sources (uses)	<u>(10,367)</u>	<u>(100,000)</u>	<u>100,000</u>	<u>10,367</u>	<u>-</u>
Change in fund balances	(647,238)	638,871	275,643	123,042	390,318
Fund balances beginning of year	<u>3,059,299</u>	<u>2,897,453</u>	<u>40,054</u>	<u>1,071,129</u>	<u>7,067,935</u>
Fund balances end of year	<u>2,412,061</u>	<u>3,536,324</u>	<u>315,697</u>	<u>1,194,171</u>	<u>7,458,253</u>

See notes to financial statements.

POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds to the
Statement of Activities

Year ended June 30, 2014

	\$	\$
Change in fund balances - total governmental funds (Exhibit E)		390,318
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures and depreciation expense in the current year are as follows:		
Expenditures for capital assets	466,841	
Depreciation expense	<u>(623,488)</u>	(156,647)
Income surtaxes and receivables not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the Statement of Activities.		3,932
Repayment of long-term liability principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		405,000
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities interest expense is recognized as the interest accrues, regardless of when it is due.		2,701
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:		
Termination benefits	\$ 17,518	
Other postemployment benefits	<u>(57,308)</u>	(39,790)
An internal service fund is used by the District's management to charge the costs of the self-funded health insurance program to the individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities.		<u>(35,991)</u>
Changes in net position of governmental activities (Exhibit B)		<u><u>569,523</u></u>

POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

Statement of Net Position
Proprietary Funds

June 30, 2014

	Nonmajor Enterprise Funds \$	Governmental Activities - Internal Service Fund \$
Assets		
Current assets:		
Cash and cash equivalents	114,233	75,956
Accounts receivable	11,394	-
Due from other governments	19,134	-
Interfund receivable	-	27,391
Inventories	8,440	-
Total current assets	153,201	103,347
Noncurrent assets:		
Capital assets, net of accumulated depreciation	4,239	-
Total assets	157,440	103,347
Liabilities		
Current liabilities:		
Accounts payable	22,457	-
Salaries and benefits payable	10,294	-
Deferred revenue	6,608	-
Total current liabilities	39,359	-
Noncurrent liabilities:		
Net OPEB liability	9,215	-
Total liabilities	48,574	-
Net position		
Investment in capital assets	4,239	-
Reserved for employee benefits	-	103,347
Unrestricted	104,627	-
Total net position	108,866	103,347

POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds

Year ended June 30, 2014

	Nonmajor Enterprise Funds \$	Governmental Activities - Internal Service Fund \$
Operating revenue:		
Local sources:		
Charges for service	<u>415,642</u>	<u>846,247</u>
Operating expenses:		
Non-instructional programs:		
Salaries	235,678	-
Benefits	81,751	882,238
Purchased services	13,934	-
Supplies	299,524	-
Depreciation	1,491	-
Other	3,792	-
Total operating expenses	<u>636,170</u>	<u>882,238</u>
Operating income (loss)	<u>(220,528)</u>	<u>(35,991)</u>
Non-operating revenue:		
State sources	4,175	-
Federal sources	271,168	-
Interest income	64	-
Total non-operating revenue	<u>275,407</u>	<u>-</u>
Change in net position	54,879	(35,991)
Net position beginning of year	<u>53,987</u>	<u>139,338</u>
Net position end of year	<u><u>108,866</u></u>	<u><u>103,347</u></u>

POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2014

	Nonmajor Enterprise Funds	Governmental Activities - Internal Service Fund
	\$	\$
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	216,956	846,247
Cash received from daycare services	199,614	-
Cash paid to employees for services	(324,597)	(882,238)
Cash paid to suppliers for goods or services	(288,523)	-
Net cash used by operating activities	<u>(196,550)</u>	<u>(35,991)</u>
Cash flows from non-capital financing activities:		
Loans from (repaid) to other funds	-	(27,391)
State grants received	4,175	-
Federal grants received	252,077	-
Net cash provided by non-capital financing activities	<u>256,252</u>	<u>(27,391)</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	<u>(2,111)</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	<u>64</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	57,655	(63,382)
Cash and cash equivalents at beginning of year	<u>56,578</u>	<u>139,338</u>
Cash and cash equivalents at end of year	<u><u>114,233</u></u>	<u><u>75,956</u></u>

POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2014

	Nonmajor Enterprise Funds \$	Governmental Activities - Internal Service Fund \$
Reconciliation of operating income (loss) to net cash used by operating activities:		
Operating income (loss)	(220,528)	(35,991)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:		
Commodities used	9,006	-
Depreciation	1,491	-
Decrease (increase) in inventories	1,157	-
Decrease (increase) in accounts receivable	(345)	-
(Decrease) increase in accounts payable	18,564	-
(Decrease) increase in salaries and benefits payable	(10,145)	-
(Decrease) increase in deferred revenue	1,273	-
(Decrease) increase in other postemployment benefits	2,977	-
Net cash used by operating activities	<u>(196,550)</u>	<u>(35,991)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2014, the District received \$9,006 of federal commodities.

POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Position
Fiduciary Funds

June 30, 2014

	Private Purpose Trust Scholarship	Agency
	\$	\$
Assets		
Cash, cash equivalents and pooled investments	6,023	25,727
Liabilities		
Other payables	-	25,727
Net Position		
Reserved for scholarships	6,023	-

POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Position
Fiduciary Funds

Year ended June 30, 2014

	Private Purpose Trust Scholarship
	<u>\$</u>
Additions	-
Deductions	<u>-</u>
Change in net position	-
Net position beginning of year	<u>6,023</u>
Net position end of year	<u><u>6,023</u></u>

POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2014

1. Summary of Significant Accounting Policies

Pocahontas Area Community School District is a political subdivision of the State of Iowa and provides public education for children in grades kindergarten through twelve. The geographic area served includes the Cities of Pocahontas, Rolfe, Havelock, Plover, Pomeroy and Palmer, Iowa and the predominately agricultural territory in a portion of Pocahontas, Palo Alto and Calhoun Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Pocahontas Area Community School District has included all funds, organizations, agencies, boards, commissions, and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The Pocahontas Area Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Position presents the District's nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net position results when constraints placed on net position use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions, and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements . Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instruction, support and other costs.

The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the District's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The District's major proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

The District's Internal Service Fund is also reported as a proprietary fund. The Internal Service Fund is used to account for the District's self-insured health insurance plan.

The District also reports fiduciary funds which focus on net position and changes in net position. The District's fiduciary funds include the following:

The Private-Purpose Trust Fund is used to account for assets held by the District under trust agreements, which require income earned to be used to benefit individuals through scholarship awards.

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations, and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Revenues are

recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants, and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted, net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the district's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications . committed, assigned, and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities, Deferred Inflows of Resources and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash, Cash Equivalents and Pooled Investments - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit, which are stated at cost.

For purposes of the Statement of Cash Flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable . Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2012 assessed property valuations; is for the tax accrual period July 1, 2013, through June 30, 2014, and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2013.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants, and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets . Capital assets, which include property, furniture, equipment and intangibles, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
	\$
Land	1,000
Buildings	10,000
Improvements other than buildings	1,000
Intangibles	50,000
Furniture and equipment:	
School Nutrition Fund equipment	1,000
Other furniture and equipment	1,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Intangibles	5-10 years
Furniture and equipment	5-15 years

The District's collection of library books and other similar materials are not capitalized. These collections are unencumbered, held for public exhibition and education, protected, cared for and preserved and subject to District policy that requires proceeds from the sale of these items, if any, to be used to acquire other collection items.

Advances from Grantors . Grant proceeds which have been received by the District but will be spent in a succeeding fiscal year.

Long-term Liabilities . In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Position.

Deferred Inflows of Resources . Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivables and other receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Fund Equity . In the governmental fund financial statements fund balances are classified as follows

Restricted . Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned . All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2014, expenditures did not exceed the amounts budgeted.

2. **Cash, Cash Equivalents and Pooled Investments**

The District's deposits in banks at June 30, 2014 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers

acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2014, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$3 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAAM by Standard & Poor's Financial Services.

The District also had \$275,000 invested in US Treasury bonds thru Bankers Trust.

3. Capital Assets

Capital assets activity for the year ended June 30, 2014 is as follows:

	Balance Beginning of Year \$	Increases \$	Decreases \$	Balance End of Year \$
Governmental activities:				
Capital assets not being depreciated:				
Land	172,157	-	-	172,157
Capital assets being depreciated:				
Buildings	16,480,677	175,060	(107,385)	16,763,122
Improvements other than buildings	928,124	114,965	107,385	935,704
Furniture and equipment	4,534,192	176,816	-	4,711,008
Total capital assets being deprec.	21,942,993	466,841	-	22,409,834
Less accumulated depreciation for:				
Buildings	3,869,363	338,408	-	4,207,771
Improvements other than buildings	417,665	27,038	-	444,703
Furniture and equipment	3,871,818	258,042	-	4,129,860
Total accumulated depreciation	8,158,846	623,488	-	8,782,334
Total capital assets being depreciated, net	13,784,147	(156,647)	-	13,627,500
Governmental activities capital assets, net	13,956,304	(156,647)	-	13,799,657
	Balance Beginning of Year \$	Increases \$	Decreases \$	Balance End of Year \$
Business type activities:				
Furniture and equipment	115,590	2,111	-	117,701
Less accumulated depreciation	111,971	1,491	-	113,462
Business type activities capital assets, net	3,619	620	-	4,239

Depreciation expense was charged to the following functions:

	Amount \$
Governmental activities:	
Instruction:	
Regular	142,850
Special	1,161
Support services:	
Student support	976
Administration services	19,058
Operation and maintenance of plant services	14,150
Transportation	79,847
	<u>258,042</u>
Unallocated depreciation	<u>365,446</u>
Total depreciation expense . governmental activities	<u><u>623,488</u></u>
Business type activities:	
Food services	<u><u>1,491</u></u>

4. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2014, are summarized as follows:

	Balance Beginning of Year \$	Additions \$	Reductions \$	Balance End of Year \$	Due Within One Year \$
Governmental activities:					
General obligation bonds	9,435,000	-	405,000	9,030,000	425,000
Termination benefits	94,983	60,000	77,519	77,464	62,774
Net OPEB liability	<u>138,693</u>	<u>57,308</u>	<u>-</u>	<u>196,001</u>	<u>-</u>
Total	<u><u>9,668,676</u></u>	<u><u>117,308</u></u>	<u><u>482,519</u></u>	<u><u>9,303,465</u></u>	<u><u>487,774</u></u>
Business type activities:					
Net OPEB liability	<u><u>6,238</u></u>	<u><u>2,977</u></u>	<u><u>-</u></u>	<u><u>9,215</u></u>	<u><u>-</u></u>

Termination Benefits

The District approved a voluntary early retirement plan for employees. The plan was only offered to employees for one year. Eligible employees must have completed at least fifteen years of full-time service to the District and must have reached the age of fifty-five on or before June 30 in the calendar year in which early retirement commences. The application for early retirement is subject to approval by the Board of Education and no more than five employees per year will be granted benefits under the policy.

At June 30, 2014, the District has obligations to four participants with a total liability of \$77,465. Actual early retirement expenditures for the year ended June 30, 2014 totaled \$77,519.

General Obligation Bonds

Details of the District's June 30, 2014 general obligation bonded indebtedness are as follows:

Bond Issue of May, 2009				
Year Ending June 30,	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2015	4.00	425,000	377,239	802,239
2016	4.00	445,000	360,239	805,239
2017	4.00	470,000	342,439	812,439
2018	4.00	490,000	323,639	813,639
2019	4.00	515,000	304,039	819,039
2020-2024	4.00-4.20	2,955,000	1,190,863	4,145,863
2025-2029	4.25-4.50	3,730,000	508,396	4,238,396
		<u>9,030,000</u>	<u>3,406,854</u>	<u>12,436,854</u>

5. Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 5.95% of their annual covered salary and the District is required to contribute 8.93% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2014, 2013, and 2012 were \$425,760, \$433,427, and \$400,184 respectively, equal to the required contributions for each year.

6. Risk Management

Pocahontas Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

7. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$325,509 for the year ended June 30, 2014 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

8. Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 81 active and 15 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2014, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

	\$
Annual required contribution	81,027
Interest on net OPEB obligation	1,521
Adjustment to annual required contribution	(4,790)
Annual OPEB cost	<u>77,758</u>
Contributions made	<u>17,473</u>
Increase in net OPEB obligation	60,285
Net OPEB obligation beginning of year	<u>144,931</u>
Net OPEB obligation end of year	<u>205,216</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2012. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2014.

For the year ended June 30, 2014, the District contributed \$17,473 to the medical plan. Plan members eligible for benefits contributed \$76,269, or 100% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2014 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
	\$	%	\$
2010	42,756	37.4	26,774
2011	42,535	36.5	53,768
2012	44,916	32.5	84,099
2013	81,723	25.6	144,931
2014	77,758	22.5	205,216

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$466,073, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$466,073. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,973,000, and the ratio of the UAAL to covered payroll was 11.7%. As of June 30, 2014, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes

to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2012 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions includes a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from information provided by the district.

The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

9. Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2014 is comprised of the following programs:

Program	Amount
	\$
Teacher salary supplement	36,045
Market factor	5,653
Educator quality, professional development	4,674
Preschool	13,687
Administrator mentoring	1,500
Iowa core curriculum	5,984
	<u>67,543</u>

10. Construction Contracts

The District entered into \$4,507,489 of construction contracts of which only \$142,040 were completed by June 30, 2014.

11. Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions . an Amendment of GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the government's proportionate share of the employee pension plan.

REQUIRED SUPPLEMENTARY INFORMATION

POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses, and Changes in Balances -
Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2014

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
	\$	\$	\$	Original	Final	\$
Revenues:						
Local sources	6,195,727	415,706	6,611,433	9,051,772	9,051,772	(2,440,339)
Intermediate sources	-	-	-	200	200	(200)
State sources	3,921,115	4,175	3,925,290	3,179,974	3,179,974	745,316
Federal sources	221,691	271,168	492,859	512,000	512,000	(19,141)
Total revenues	<u>10,338,533</u>	<u>691,049</u>	<u>11,029,582</u>	<u>12,743,946</u>	<u>12,743,946</u>	<u>(1,714,364)</u>
Expenditures/Expenses:						
Instruction	5,372,719	-	5,372,719	8,894,480	8,894,480	3,521,761
Support services	3,104,890	-	3,104,890	4,435,260	4,435,260	1,330,370
Non-instructional programs	-	636,170	636,170	1,170,000	1,170,000	533,830
Other expenditures	1,470,606	-	1,470,606	3,692,824	3,692,824	2,222,218
Total expenditures/expenses	<u>9,948,215</u>	<u>636,170</u>	<u>10,584,385</u>	<u>18,192,564</u>	<u>18,192,564</u>	<u>7,608,179</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	390,318	54,879	445,197	(5,448,618)	(5,448,618)	5,893,815
Other financing sources (uses) net	<u>-</u>	<u>-</u>	<u>-</u>	<u>100,000</u>	<u>100,000</u>	<u>(100,000)</u>
Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures/expenses	390,318	54,879	445,197	(5,348,618)	(5,348,618)	5,793,815
Balance beginning of year	<u>7,067,935</u>	<u>53,987</u>	<u>7,121,922</u>	<u>6,083,890</u>	<u>6,083,890</u>	<u>1,038,032</u>
Balance end of year	<u><u>7,458,253</u></u>	<u><u>108,866</u></u>	<u><u>7,567,119</u></u>	<u><u>735,272</u></u>	<u><u>735,272</u></u>	<u><u>6,831,847</u></u>

See accompanying independent auditor's report

POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2014

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Internal Service, Private Purpose Trust and Agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by the fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District did not amend their budget.

During the year ended June 30, 2014, expenditures did not exceed the amounts budgeted.

POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

Schedule of Funding Progress for the Retiree Health Plan

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a) \$	Actuarial Accrued Liability (AAL) (b) \$	Unfunded AAL (UAAL) (b-a) \$	Funded Ratio (a/b) %	Covered Payroll (c) \$	UAAL as a Percentage of Covered Payroll ((b-a)/c) %
Combined Pocahontas Area and Pomeroy-Palmer Districts							
2010	July 1, 2009	-	519,820	519,820	0.0%	4,695,000	11.1%
2011	July 1, 2009	-	493,968	493,968	0.0%	4,524,000	10.9%
2012	July 1, 2009	-	456,448	456,448	0.0%	4,453,000	10.3%
Pocahontas Area District							
2013	July 1, 2012	-	495,540	495,540	0.0%	3,988,000	12.4%
2014	July 1, 2012	-	466,073	466,073	0.0%	3,973,000	11.7%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

SUPPLEMENTARY INFORMATION

POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2014

Assets	Special Revenue Funds		Total \$
	Management Levy	Student Activity	
	\$	\$	
Cash, cash equivalents and pooled investments	1,061,647	148,756	1,210,403
Receivables:			
Property tax:			
Delinquent	1,939	-	1,939
Succeeding year	150,002	-	150,002
Accounts	28	12,311	12,339
Total assets	1,213,616	161,067	1,374,683
Liabilities, Deferred Inflows of Resources & Fund Balances			
Liabilities:			
Accounts payable	-	3,119	3,119
Interfund payables	27,391	-	27,391
Total liabilities	27,391	3,119	30,510
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	150,002	-	150,002
Fund balances:			
Restricted for:			
Management levy	1,036,223	-	1,036,223
Student activities	-	157,948	157,948
Total fund balances	1,036,223	157,948	1,194,171
Total liabilities, deferred inflows of resources and fund balances	1,213,616	161,067	1,374,683

POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds

Year ended June 30, 2014

	Special Revenue Funds		
	Management	Student	
	Levy	Activity Fund	Total
	\$	\$	\$
Revenues:			
Local sources:			
Local tax	304,018	-	304,018
Other	6,904	299,741	306,645
State sources	128	-	128
Total revenues	<u>311,050</u>	<u>299,741</u>	<u>610,791</u>
Expenditures:			
Current:			
Instruction:			
Regular instruction	65,406	-	65,406
Other instruction	-	295,322	295,322
Support services:			
Operation and maintenance of			
plant services	<u>137,388</u>	<u>-</u>	<u>137,388</u>
Total expenditures	<u>202,794</u>	<u>295,322</u>	<u>498,116</u>
Excess (deficiency) of revenues over (under) expenditures	108,256	4,419	112,675
Other financing sources (uses):			
Operating transfers in	<u>-</u>	<u>10,367</u>	<u>10,367</u>
Change in fund balances	108,256	14,786	123,042
Fund balances beginning of year	<u>927,967</u>	<u>143,162</u>	<u>1,071,129</u>
Fund balances end of year	<u><u>1,036,223</u></u>	<u><u>157,948</u></u>	<u><u>1,194,171</u></u>

POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

Combining Schedule of Net Fund Position
Nonmajor Enterprise Funds

June 30, 2014

	Enterprise Funds		
	Nonmajor School Nutrition	Nonmajor Day Care	Total
	\$	\$	\$
Assets			
Cash, cash equivalents and pooled investments	80,863	33,370	114,233
Accounts receivable	11,394	-	11,394
Due from other governments	19,134	-	19,134
Inventories	8,440	-	8,440
Capital assets, net of accumulated depreciation	4,239	-	4,239
Total assets	124,070	33,370	157,440
Liabilities			
Accounts payable	15,558	6,899	22,457
Salaries and benefits payable	3,032	7,262	10,294
Deferred revenue	6,608	-	6,608
Net OPEB liability	9,215	-	9,215
Total liabilities	34,413	14,161	48,574
Net position			
Invested in capital assets	4,239	-	4,239
Unrestricted	85,418	19,209	104,627
Total net position	89,657	19,209	108,866

POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenses and Changes in Fund NetPosition
Nonmajor Enterprise Funds

Year ended June 30, 2014

	Enterprise Funds		
	Nonmajor School Nutrition	Nonmajor Daycare	Total
	\$	\$	\$
Operating revenue:			
Local sources:			
Charges for service	226,456	189,186	415,642
Operating expenses:			
Non-instructional programs:			
Salaries	99,553	136,125	235,678
Benefits	59,165	22,586	81,751
Purchased services	-	13,934	13,934
Supplies	282,603	16,921	299,524
Depreciation	1,491	-	1,491
Other	3,792	-	3,792
	446,604	189,566	636,170
Operating income (loss)	(220,148)	(380)	(220,528)
Non-operating revenue:			
State sources	4,175	-	4,175
Federal sources	262,694	8,474	271,168
Interest income	17	47	64
Total non-operating revenue	266,886	8,521	275,407
Change in net position	46,738	8,141	54,879
Net Position beginning of year	42,919	11,068	53,987
Net Position end of year	89,657	19,209	108,866

POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

Combining Schedule of Cash Flows
Nonmajor Enterprise Funds

Year ended June 30, 2014

	Enterprise Funds		
	Nonmajor School Nutrition	Nonmajor Day Care	Total
	\$	\$	\$
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	216,956	-	216,956
Cash received from daycare services	-	199,614	199,614
Cash paid to employees for services	(156,205)	(168,392)	(324,597)
Cash paid to suppliers for goods or services	(262,985)	(25,538)	(288,523)
Net cash (used) provided by operating activities	(202,234)	5,684	(196,550)
Cash flows from non-capital financing activities:			
State grants received	4,175	-	4,175
Federal grants received	243,603	8,474	252,077
Net cash provided by non-capital financing activities	247,778	8,474	256,252
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(2,111)	-	(2,111)
Cash flows from investing activities:			
Interest on investments	17	47	64
Net increase (decrease) in cash and cash equivalents	43,450	14,205	57,655
Cash and cash equivalents at beginning of year	37,413	19,165	56,578
Cash and cash equivalents at end of year	80,863	33,370	114,233
Reconciliation of operating income (loss) to net cash used by operating activities:			
Operating income (loss)	(220,148)	(380)	(220,528)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:			
Commodities used	9,006	-	9,006
Depreciation	1,491	-	1,491
Decrease (increase) in inventories	1,157	-	1,157
Decrease (increase) in accounts receivable	(10,773)	10,428	(345)
(Decrease) increase in accounts payable	13,247	5,317	18,564
(Decrease) increase in salaries and benefits payable	(464)	(9,681)	(10,145)
(Decrease) increase in deferred revenue	1,273	-	1,273
(Decrease) increase in other postemployment benefits	2,977	-	2,977
Net cash (used) provided by operating activities	(202,234)	5,684	(196,550)

POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Capital Projects Accounts

June 30, 2014

Assets	Capital Projects			Total
	Construction	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	
	\$	\$	\$	\$
Cash, cash equivalents and pooled investments	42,758	2,717,283	285,608	3,045,649
Receivables:				
Property tax:				
Delinquent	-	-	2,950	2,950
Succeeding year	-	-	480,930	480,930
Interfund receivable	-	-	420,729	420,729
Due from other governments	-	216,810	-	216,810
Total assets	<u>42,758</u>	<u>2,934,093</u>	<u>1,190,217</u>	<u>4,167,068</u>
Liabilities, Deferred Inflows of Resources & Fund Balances				
Liabilities:				
Accounts payable	-	142,040	7,774	149,814
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	-	-	480,930	480,930
Fund balances:				
Restricted for:				
School infrastructure	42,758	2,792,053	-	2,834,811
Physical plant and equipment	-	-	701,513	701,513
Total fund balances	<u>42,758</u>	<u>2,792,053</u>	<u>701,513</u>	<u>3,536,324</u>
Total liabilities, deferred inflows of resources and fund balances	<u>42,758</u>	<u>2,934,093</u>	<u>1,190,217</u>	<u>4,167,068</u>

POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Capital Project Accounts

Year ended June 30, 2014

	Capital Projects		
	Construction	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy
	\$	\$	\$
Revenues:			
Local sources:			
Local tax	-	-	457,893
Other	3,628	4,216	6,527
State sources	-	619,070	195
Total revenues	<u>3,628</u>	<u>623,286</u>	<u>464,615</u>
Expenditures:			
Current:			
Support services:			
Administration services	-	-	7,500
Other expenditures:			
Facilities acquisition	<u>5,085</u>	<u>163,992</u>	<u>176,081</u>
Total expenditures	<u>5,085</u>	<u>163,992</u>	<u>183,581</u>
Excess (deficiency) of revenues over (under) expenditures	(1,457)	459,294	281,034
Other financing sources (uses):			
Operating transfers out	<u>-</u>	<u>(100,000)</u>	<u>-</u>
Change in fund balances	(1,457)	359,294	281,034
Fund balances beginning of year	<u>44,215</u>	<u>2,432,759</u>	<u>420,479</u>
Fund balance end of year	<u><u>42,758</u></u>	<u><u>2,792,053</u></u>	<u><u>701,513</u></u>
			<u><u>3,536,324</u></u>

POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2014

<u>Account</u>	Balance Beginning of Year	Revenues	Expenditures	Intra-Fund Transfers	Balance End of Year
	\$	\$	\$	\$	\$
Graduated classes	8,369	96	224	-	8,241
Class of 2010	1,990	-	-	-	1,990
Class of 2011	824	-	-	-	824
Class of 2012	1,694	-	-	-	1,694
Class of 2013	2,111	-	542	-	1,569
Class of 2014	4,374	320	2,992	-	1,702
Class of 2015	295	14,597	11,517	-	3,375
Class of 2016	289	50	300	-	39
Locker rent	1,301	-	-	-	1,301
Board of education	727	775	349	80	1,233
Mock trial	-	12,065	5,814	-	6,251
Juice/water/hs commons	740	3,213	3,911	-	42
Pop/juice-vending	214	6,246	6,178	226	508
Vocal music	924	2,153	2,458	-	619
Instrumental music	3,330	5,149	7,895	716	1,300
Music memorial	530	-	-	-	530
Band uniforms	2,215	660	-	-	2,875
Band insurance	686	-	-	-	686
Drill team	4,418	15,948	15,850	-	4,516
Football	347	17,380	17,727	-	-
Cheerleaders	1,031	2,485	3,219	-	297
Weight training	437	-	369	-	68
Golf	150	1,443	1,593	-	-
Basketball	(1)	16,781	16,780	-	-
Boys basketball camp	2,232	8,009	7,269	-	2,972
Volleyball	-	8,405	8,405	-	-
Softball/baseball	(175)	10,201	10,143	175	58
Softball trips	39	-	-	(39)	-
Track	-	7,602	7,602	-	-
Track trip-boys	229	150	280	-	99
Track trip-girls	3,194	725	620	-	3,299
Cross country	-	3,395	3,395	-	-
Wrestling	-	5,438	5,438	-	-
Activity tickets	-	10,769	10,769	-	-
Activity tickets/senior citizens	452	90	-	-	542
Wrestling mothers	6,990	13,190	15,434	-	4,746
Football camp	1,274	2,684	2,962	26	1,022
Athletic resale	987	792	797	-	982
Volleyball camp	1,495	150	83	-	1,562
Boys golf camp	91	418	264	-	245
Golf camp	531	1,912	820	-	1,623

See accompanying independent auditor's report.

POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2014

Account	Balance Beginning of Year	Revenues	Expenditures	Intra-Fund Transfers	Balance End of Year
	\$	\$	\$	\$	\$
Bowling class donations	-	1,420	1,365	-	55
Girls basketball camp	7,639	9,824	8,411	-	9,052
Cross country special fund	-	313	313	-	-
Trading post store	4,028	10,962	15,037	165	118
Art club	-	174	174	-	-
Mystery photo contest	2,058	-	499	(1,559)	-
Peer Helpers	-	-	-	1,559	1,559
Student council/concessions	164	5,272	2,611	(604)	2,221
Character education	2,254	3,159	1,489	-	3,924
FFA	10,919	22,807	21,416	(887)	11,423
Home ec club	14	-	-	-	14
Hom ec resale	53	-	-	-	53
Spanish club	-	285	210	-	75
Annual	1,369	7,470	7,796	-	1,043
Softball/baseball combined concessions	8,233	1,483	9,687	(29)	-
Softball concessions	1,685	6,302	1,514	255	6,728
Baseball concessions	856	6,814	2,053	96	5,713
Wellness	166	-	32	-	134
Dramatics	438	1,279	1,388	-	329
National honor society	426	-	152	-	274
Baseball mothers	97	-	-	(97)	-
Softball parents	216	-	-	(216)	-
Elementary sunshine fund	-	1,077	605	-	472
Elementary fundraising	15,476	23,842	15,531	325	24,112
Swing choir	342	-	-	-	342
Mentoring program	45	14,560	14,561	-	44
Task force fund	265	1,850	1,746	-	369
Elementary booster	3,575	4,645	3,577	(325)	4,318
MS concessions	530	-	55	-	475
Jump rope for heart	2,688	788	788	-	2,688
HS take charge for education	3,637	906	1,221	-	3,322
Schwig marketing	95	876	-	-	971
MS take charge for education	320	-	-	-	320
MS activities	5,072	-	1,955	(80)	3,037
Carnival	3,210	3,067	1,061	(1)	5,215
After prom party	2,267	7,226	6,981	-	2,512
Sedlacek Scholar	3,338	-	500	-	2,838
Interest	7,353	416	595	214	7,388
Total	143,162	310,108	295,322	-	157,948

POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Fiduciary Assets and Liabilities
Agency Fund

Year ended June 30, 2014

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
	\$	\$	\$	\$
Assets				
Cash	26,991	35,761	37,025	25,727
Liabilities				
Accounts payable	26,991	35,761	37,025	25,727

POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function
All Governmental Fund Types

For the Last Ten Years

	Modified Accrual Basis									
	Pocahontas Area District		Combined Pocahontas Area and Pomeroy-Palmer Districts							
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenues:										
Local sources:										
Local tax	5,304,486	6,253,006	6,783,910	6,091,590	5,219,832	4,319,872	4,066,167	4,043,007	4,194,547	3,640,648
Tuition	398,181	446,692	1,165,112	1,186,325	1,260,527	434,313	340,279	446,091	469,271	341,841
Other	493,060	563,212	522,441	460,398	666,537	468,678	531,498	576,388	621,684	766,197
Intermediate sources	-	-	-	-	-	-	-	3,502	-	-
State sources	3,921,115	3,545,522	3,486,158	3,255,324	3,051,647	3,922,720	4,042,622	3,754,370	3,927,897	4,054,292
Federal sources	221,691	254,283	276,710	775,076	632,557	301,354	284,075	301,118	313,566	358,399
Total revenues	10,338,533	11,062,715	12,234,331	11,768,713	10,831,100	9,446,937	9,264,641	9,124,476	9,526,965	9,161,377
Expenditures:										
Instruction:										
Regular instruction	3,104,467	3,614,424	3,942,104	5,877,064	5,984,074	5,594,176	5,537,894	5,049,740	5,181,019	5,444,306
Special instruction	858,501	852,302	1,057,361	357,637	320,806	292,764	268,087	260,584	192,645	193,204
Other instruction	1,409,751	1,294,155	1,293,348	276,017	357,596	362,960	320,304	459,546	485,038	330,069
Support services:										
Student services	200,475	196,591	196,249	212,847	193,819	225,140	220,816	222,464	248,444	269,403
Instructional staff services	447,170	294,022	260,936	180,195	248,898	270,949	297,566	253,742	247,325	333,834
Administration services	708,679	717,213	1,093,552	858,443	891,709	953,867	878,553	1,003,524	962,147	813,015
Operation and maintenance	1,022,792	798,626	778,903	715,957	817,038	820,343	824,120	801,650	818,175	1,168,393
Transportation services	725,774	484,932	509,099	403,278	429,596	387,709	483,467	440,083	386,057	425,983
Non-instructional programs	-	-	-	-	2,475	1,607	6,037	4,686	4,776	13,097
Other expenditures:										
Facilities acquisition	345,158	1,537,479	1,048,316	6,197,569	3,991,244	1,080,282	216,003	179,821	409,642	39,685
Long-term debt:										
Principal	405,000	390,000	550,000	535,000	-	-	-	-	-	24,457
Interest and other charges	394,939	409,039	424,339	438,038	-	-	-	-	-	612
AEA flowthrough	325,509	313,255	307,445	348,388	348,174	324,728	319,698	312,934	305,106	309,726
Total expenditures	9,948,215	10,902,038	11,461,652	16,400,433	13,585,429	10,314,525	9,372,545	8,988,774	9,240,374	9,365,784

See accompanying independent auditor's report.

Gary E. Horton CPA

902 Central Ave. E.-PO Box 384
Clarion, IA 50525-0384
(515)532-6681 Phone
(515) 532-2405 Fax
BETCO@mchsi.com E-mail

Independent Auditor's Report on Internal Control
Over Financial Reporting and on compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Board of Education of
Pocahontas Area Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Pocahontas Area Community School District and of and for the year ended June 30, 2014, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 27, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Pocahontas Area Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Pocahontas Area Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Pocahontas Area Community School District's Internal Control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses, we identified deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part I of the accompanying Schedule of Findings and Responses as items 14-I-A, 14-I-B and 14-I-C to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Responses as items 14-II-F and 14-II-M to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Pocahontas Area Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However we noted certain immaterial instances of non-compliance or other matters which are described in Part II of the accompanying Schedule of Finding and Responses.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Pocahontas Area Community School District's Responses to the Findings

Pocahontas Area Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Responses. Pocahontas Area Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Pocahontas Area Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

BURTON E. TRACY & CO., P.C.
Certified Public Accountants

March 27, 2015

POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

June 30, 2014

Part I: Findings Related to the Financial Statements:

Instances of Noncompliance:

No matters were reported.

Significant Deficiencies:

- 14-I-A Segregation of Duties: The limited number of personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities, such as recording and processing cash receipts, preparing checks and bank reconciliations, processing payroll, preparing and posting general journal entries, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although we noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition but it is important that District officials are aware that the condition exists.

Recommendation: We realize segregation of duties is difficult with a limited number of office employees. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

District Response: We will continue to review our procedures and implement additional controls where possible.

Conclusion: Response accepted.

- 14-I-B Financial Statement Preparation: Financial statement preparation is the responsibility of the District. At the present time District personnel do not have the skills necessary to be able to write the District's financial statements and the related note disclosures. This is not an unusual situation for small governmental entities.

Recommendation: District personnel should attend any governmental accounting and reporting training sessions that may be offered by the Iowa Department of Education, State Auditor's Office or Iowa Association of School Business Officials. The school business office should also have governmental accounting and reporting reference materials.

District Response: As a school we certainly understand the need for continuing education classes for all of our staff. However, we have a limited budget and must continually prioritize needs. At this point in time it is not cost effective to train our staff to the level necessary that would enable them to write the financial statements, nor is it feasible to hire additional employees that already possess the skills.

Conclusion: Response accepted.

POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

June 30, 2014

Part I: Findings Related to the Financial Statements (continued):

14-I-C Signature Stamp: We noted that a stamp bearing the signature of the Board President is used to cosign checks. The board secretary, the other co-signer of the checks has access to the stamp. This practice negates the internal control procedure established by requiring two signatures on a check.

Recommendation: We recommend that this practice cease. The board may designate a person other than the board president to cosign checks. If a signature stamp is used, it should remain under the control of the person whose name the stamp bears at all times.

District Response: We will discuss methods to limit access to the signature stamp.

Conclusion: Response accepted.

POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

June 30, 2014

Part II: Other Findings Related to Required Statutory Reporting:

- 14-II-A Certified Budget: Expenditures for the year ended June 30, 2014 did not exceed the certified budget amounts.
- 14-II-B Questionable Expenditures: No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- 14-II-C Travel Expenses: No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- 14-II-D Business Transactions: No business transactions between the District and District officials or employees were noted.
- 14-II-E Bond Coverage: Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- 14-II-F Board Minutes: We noted not all transactions requiring board approval were approved by the board. We also noted that the minutes were not published in a timely manner as required by the Code of Iowa.
- Recommendation: Minutes should be published within two weeks of the meeting as required by the Code of Iowa and the board should approve all transactions for all funds.
- District Response: We will get the minutes to the publisher sooner and present all funds bills to the board monthly.
- Conclusion: Response accepted.
- 14-II-G Certified Enrollment: No variances in the basic enrollment data certified to the Department of Education were noted
- 14-II-H Supplementary Weighting: No variances regarding supplementary weighting certified to the Department of Education were noted.
- 14-II-I Deposits and Investments: No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
- 14-II-J Certified Annual Report: The Certified Annual Report was certified to the Iowa Department of Education timely.
- 14-II-K Categorical Funding: No instances were noted of categorical funding being used to supplant rather than supplement other funds.

POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

June 30, 2014

Part II: Other Findings Related to Required Statutory Reporting (Continued):

- 14-II-L Statewide Sales, Services and Use Tax: No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education for the year ended June 30, 2014, the following information includes the amounts reported for the statewide sales, services and use tax revenue in the District's CAR including adjustments identified during the fiscal year 2014 audit:

	\$	\$
Beginning balance		2,432,759
Revenues/transfers in:		
Statewide sales, services and use tax revenue	619,070	
Other local revenues	<u>4,216</u>	623,286
Expenditures/transfers out:		
Transfer to Debt service	100,000	
School infrastructure construction	<u>163,992</u>	<u>263,992</u>
Ending balance		<u>2,792,053</u>

- 14-II-M Reclassification of Student Activity Fund Accounts: In accordance with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Rule 281-12.6(1), monies in the Student Activity Fund should be used of support only the extracurricular and co-curricular activities offered as part of the District's educational program. A few accounts reported in the Special Revenue, Student Activity Fund do not appear to be extracurricular or co-curricular in nature.

Recommendation: The District should review and reclassify these accounts to the appropriate fund in accordance with the guidelines.

District Response: We will review the activity accounts and make any necessary fund reclassifications.

Conclusion: Response accepted.